

106TH CONGRESS  
1ST SESSION

# H. R. 1546

To amend the Internal Revenue Code of 1986 to provide increased retirement savings opportunities, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 22, 1999

Mr. THOMAS introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to provide increased retirement savings opportunities, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS; AMEND-**  
4 **MENT TO 1986 CODE.**

5 (a) SHORT TITLE.—This Act may be cited as the  
6 “Retirement Savings Opportunity Act of 1999”.

7 (b) TABLE OF CONTENTS.—

Sec. 1. Short title; table of contents; amendment to 1986 Code.

## TITLE I—INDIVIDUAL RETIREMENT PLANS

- Sec. 101. Modification of deduction limits for IRA contributions.
- Sec. 102. Modification of income limits on contributions and rollovers to Roth IRAs.
- Sec. 103. Deemed IRAs under employer plans.
- Sec. 104. Electronic signatures permitted.

## TITLE II—PENSION PLANS

- Sec. 201. Option to treat elective deferrals as after-tax contributions.
- Sec. 202. Increase in limit on exclusion amount for elective deferrals.
- Sec. 203. Increased limit on deferred amount for plans of State and local governments.
- Sec. 204. Equitable treatment for contributions of employees to defined contribution plans.
- Sec. 205. Repeal of 150 percent of current liability funding limit.
- Sec. 206. Repeal of transitional rule.

## TITLE III—SMALL BUSINESS INCENTIVES

- Sec. 301. Credit for small employer pension plan contributions and start-up costs.
- Sec. 302. SAFE annuities and trusts.
- Sec. 303. Increased limit on contribution amount for SIMPLE retirement accounts.

## TITLE IV—CATCHUP CONTRIBUTIONS

- Sec. 401. Catchup contributions for individuals age 50 or over.

## TITLE V—PLAN AMENDMENTS

- Sec. 501. Provisions relating to plan amendments.

1       (c) AMENDMENT OF 1986 CODE.—Except as other-  
 2       wise expressly provided, whenever in this title an amend-  
 3       ment or repeal is expressed in terms of an amendment  
 4       to, or repeal of, a section or other provision, the reference  
 5       shall be considered to be made to a section or other provi-  
 6       sion of the Internal Revenue Code of 1986.

# **TITLE I—INDIVIDUAL RETIREMENT PLANS**

## **SEC. 101. MODIFICATION OF DEDUCTION LIMITS FOR IRA CONTRIBUTIONS.**

(a) INCREASE IN CONTRIBUTION LIMIT.—Paragraph (1)(A) of section 219(b) (relating to maximum amount of deduction) is amended by striking “\$2,000” and inserting “\$5,000”.

(b) INFLATION ADJUSTMENT.—Section 219 (relating to deduction for retirement savings) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

“(h) COST-OF-LIVING ADJUSTMENT.—

“(1) DEDUCTIBLE AMOUNTS.—In the case of any taxable year beginning in a calendar year after 2000, the \$5,000 amount under subsection (b)(1)(A) shall be increased by an amount equal to—

“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 1999’ for ‘calendar year 1992’ in subparagraph (B) thereof.

1           “(2) ROUNDING RULES.—If any amount after  
2           adjustment under paragraph (1) is not a multiple of  
3           \$100, such amount shall be rounded to the next  
4           lower multiple of \$100.”

5           (c) REPEAL OF RESTRICTIONS ON ACTIVE PARTICI-  
6 PANTS.—

7           (1) IN GENERAL.—Section 219, as amended by  
8           subsection (b), is amended by striking subsection (g)  
9           and by redesignating subsections (h) and (i) as sub-  
10          sections (g) and (h).

11          (2) TECHNICAL AND CONFORMING AMEND-  
12 MENTS.—

13           (A) Section 219(f) is amended by striking  
14          paragraph (7).

15           (B) Section 408(d)(5) is amended by strik-  
16          ing the last sentence.

17           (C) Section 408(o) is amended by adding  
18          at the end the following new paragraph:

19           “(5) TERMINATION.—This subsection shall not  
20          apply to any contribution for any taxable year begin-  
21          ning after December 31, 1999.”

22           (D) Section 408A(c)(2)(A) is amended by  
23          striking “or (g)”.

24           (E) Section 408A(c)(3)(A) is amended by  
25          striking the last sentence.

1 (F) Section 408A(c)(3)(C) is amended—

2 (i) by striking all before clause (ii)

3 and inserting the following:

4 “(C) SPECIAL RULES.—For purposes of  
5 this paragraph—

6 “(i) adjusted gross income shall be  
7 determined—

8 “(I) after application of sections  
9 86 and 469, and

10 “(II) without regard to sections  
11 135, 137, 221, and 911, the deduction  
12 allowable under section 219, or any  
13 amount included in gross income  
14 under subsection (d)(3),”

15 (ii) by striking the period at the end  
16 of clause (ii) and inserting a comma, and

17 (iii) by adding at the end the fol-  
18 lowing new clauses:

19 “(iii) no dollar limitation shall be re-  
20 duced below \$200 under subparagraph (A)  
21 unless (without regard to this clause) such  
22 limitation is reduced to zero, and

23 “(iv) any amount determined under  
24 subparagraph (A) which is not a multiple

1 of \$10 shall be rounded to the next lowest  
 2 \$10.”

3 (G) Section 408A(c)(3)(D) is amended to  
 4 read as follows:

5 “(D) SPECIAL RULE FOR MARRIED INDIVIDUALS  
 6 FILING SEPARATELY AND LIVING  
 7 APART.—A husband and wife who—

8 “(i) file separate returns for any tax-  
 9 able year, and

10 “(ii) live apart at all times during  
 11 such taxable year,

12 shall not be treated as married individuals for  
 13 purposes of this paragraph.”

14 (H) Section 4973(b) is amended by striking  
 15 the last sentence.

16 (d) ADDITIONAL CONFORMING AMENDMENTS.—

17 (1) Section 408(a)(1) is amended by striking  
 18 “in excess of \$2,000 on behalf of any individual”  
 19 and inserting “on behalf of any individual in excess  
 20 of the amount in effect for such taxable year under  
 21 section 219(b)(1)(A)”.

22 (2) Section 408(b)(2)(B) is amended by striking  
 23 “\$2,000” and inserting “the dollar amount in  
 24 effect under section 219(b)(1)(A)”.

1           (3) Section 408(b) is amended by striking  
 2           “\$2,000” in the matter following paragraph (4) and  
 3           inserting “the dollar amount in effect under section  
 4           219(b)(1)(A)”.

5           (4) Section 408(j) is amended by striking  
 6           “\$2,000”.

7           (5) Section 408(p)(8) is amended by striking  
 8           “\$2,000” and inserting “the dollar amount in effect  
 9           under section 219(b)(1)(A)”

10          (e) EFFECTIVE DATE.—The amendments made by  
 11 this section shall apply to taxable years beginning after  
 12 December 31, 1999.

13 **SEC. 102. MODIFICATION OF INCOME LIMITS ON CON-**  
 14 **TRIBUTIONS AND ROLLOVERS TO ROTH IRAS.**

15          (a) REPEAL OF AGI LIMIT ON CONTRIBUTIONS.—  
 16 Subsection 408A(c)(3) (relating to limits based on modi-  
 17 fied adjusted gross income), as amended by section  
 18 101(c)(2), is amended by striking subparagraph (A) and  
 19 by redesignating subparagraphs (B), (C), and (D) as sub-  
 20 paragraphs (A), (B), and (C), respectively.

21          (b) INCREASE IN AGI LIMIT FOR ROLLOVER CON-  
 22 TRIBUTIONS.—Clause (i) of section 408A(c)(3)(A) (relat-  
 23 ing to rollover from IRA), as redesignated by subsection  
 24 (a), is amended by striking “\$100,000” and inserting  
 25 “\$1,000,000”.

1 (c) CONFORMING AMENDMENTS.—

2 (1)(A) Subparagraph (B) of section 408A(c)(3),  
 3 as redesignated by subsection (a) and as amended  
 4 by section 101(c)(2)(F), is amended to read as fol-  
 5 lows:

6 “(B) DEFINITION OF ADJUSTED GROSS IN-  
 7 COME.—For purposes of subparagraph (A), ad-  
 8 justed gross income shall be determined—

9 “(i) after application of sections 86  
 10 and 469, and

11 “(ii) without regard to sections 135,  
 12 137, 221, and 911, the deduction allowable  
 13 under section 219, or any amount included  
 14 in gross income under subsection (d)(3).”

15 (B) EFFECTIVE DATE.—The amendment made  
 16 by this paragraph shall apply to taxable years begin-  
 17 ning after December 31, 1999.

18 (2)(A) Subparagraph (B) of section 408A(c)(3),  
 19 as amended by paragraph (1), is amended to read  
 20 as follows:

21 “(B) DEFINITION OF ADJUSTED GROSS IN-  
 22 COME.—For purposes of subparagraph (A), ad-  
 23 justed gross income shall be determined—

24 “(i) after application of sections 86  
 25 and 469, and



1                   “(ii) without regard to sections 135,  
 2                   137, 221, and 911, the deduction allowable  
 3                   under section 219, or any amount included  
 4                   in gross income under subsection (d)(3) or  
 5                   by reason of a required distribution under  
 6                   a provision described in paragraph (5).”

7                   (B) EFFECTIVE DATE.—The amendment made  
 8                   by this paragraph shall apply to taxable years begin-  
 9                   ning after December 31, 2004.

10                  (d) EFFECTIVE DATE.—Except as otherwise pro-  
 11                  vided in this section, the amendments made by this section  
 12                  shall apply to taxable years beginning after December 31,  
 13                  1999.

14   **SEC. 103. DEEMED IRAS UNDER EMPLOYER PLANS.**

15                  (a) IN GENERAL.—Section 408 (relating to individual  
 16                  retirement accounts) is amended by redesignating sub-  
 17                  section (q) as subsection (r) and by inserting after sub-  
 18                  section (p) the following new subsection:

19                  “(q) DEEMED IRAS UNDER QUALIFIED EMPLOYER  
 20                  PLANS.—

21                         “(1) GENERAL RULE.—If—

22                                 “(A) a qualified employer plan elects to  
 23                                 allow employees to make voluntary employee  
 24                                 contributions to a separate account or annuity  
 25                                 established under the plan, and

1           “(B) under the terms of the qualified em-  
2           ployer plan, such account or annuity meets the  
3           applicable requirements of this section or sec-  
4           tion 408A for an individual retirement account  
5           or annuity,

6           then such account or annuity shall be treated for  
7           purposes of this title in the same manner as an indi-  
8           vidual retirement plan (and contributions to such ac-  
9           count or annuity as contributions to an individual  
10          retirement plan). For purposes of subparagraph (B),  
11          the requirements of subsection (a)(5) shall not  
12          apply.

13           “(2) SPECIAL RULES FOR QUALIFIED EM-  
14          PLOYER PLANS.—For purposes of this title—

15           “(A) a qualified employer plan shall not  
16           fail to meet any requirement of this title solely  
17           by reason of establishing and maintaining a  
18           program described in paragraph (1), and

19           “(B) any account or annuity described in  
20           paragraph (1), and any contribution to the ac-  
21           count or annuity, shall not be subject to any re-  
22           quirement of this title applicable to a qualified  
23           employer plan or taken into account in applying  
24           any such requirement to any other contribu-  
25           tions under the plan.

1           “(3) DEFINITIONS.—For purposes of this  
2 subsection—

3           “(A) QUALIFIED EMPLOYER PLAN.—The  
4 term ‘qualified employer plan’ has the meaning  
5 given such term by section 72(p)(4).

6           “(B) VOLUNTARY EMPLOYEE CONTRIBU-  
7 TION.—The term ‘voluntary employee contribu-  
8 tion’ means any contribution (other than a  
9 mandatory contribution within the meaning of  
10 section 411(c)(2)(C))—

11           “(i) which is made by an individual as  
12 an employee under a qualified employer  
13 plan which allows employees to elect to  
14 make contributions described in paragraph  
15 (1), and

16           “(ii) with respect to which the indi-  
17 vidual has designated the contribution as a  
18 contribution to which this subsection ap-  
19 plies.”

20           (b) AMENDMENT OF ERISA.—

21           (1) IN GENERAL.—Section 4 of the Employee  
22 Retirement Income Security Act of 1974 (29 U.S.C.  
23 1003) is amended by adding at the end the following  
24 new subsection:

1       “(c) If a pension plan allows an employee to elect to  
2       make voluntary employee contributions to accounts and  
3       annuities as provided in section 408(q) of the Internal  
4       Revenue Code of 1986, such accounts and annuities (and  
5       contributions thereto) shall not be treated as part of such  
6       plan (or as a separate pension plan) for purposes of any  
7       provision of this title other than section 403(c), 404, or  
8       405 (relating to exclusive benefit, and fiduciary and co-  
9       fiduciary responsibilities).”

10           (2) CONFORMING AMENDMENT.—Section 4(a)  
11       of such Act (29 U.S.C. 1003(a)) is amended by in-  
12       serting “or (c)” after “subsection (b)”.

13       (c) EFFECTIVE DATE.—The amendments made by  
14       this section shall apply to plan years beginning after De-  
15       cember 31, 1999.

16       **SEC. 104. ELECTRONIC SIGNATURES PERMITTED.**

17       Subsection (a) of section 408 (relating to individual  
18       retirement accounts) is amended by adding at the end the  
19       following new flush sentence:

20       “Notwithstanding any other provision of law, electronic  
21       signatures (which are verified in such manner as the Sec-  
22       retary may prescribe) shall be sufficient to establish any  
23       individual retirement plan and shall satisfy any require-  
24       ment otherwise imposed by Federal law for an actual sig-  
25       nature to establish such a plan.”

1           **TITLE II—PENSION PLANS**

2   **SEC. 201. OPTION TO TREAT ELECTIVE DEFERRALS AS**  
3           **AFTER-TAX CONTRIBUTIONS.**

4           (a) IN GENERAL.—Subpart A of part I of subchapter  
5 D of chapter 1 (relating to deferred compensation, etc.)  
6 is amended by inserting after section 402 the following  
7 new section:

8   **“SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFER-**  
9           **RALS AS PLUS CONTRIBUTIONS.**

10          “(a) GENERAL RULE.—If an applicable retirement  
11 plan includes a qualified plus contribution program—

12               “(1) any designated plus contribution made by  
13               an employee pursuant to the program shall be treat-  
14               ed as an elective deferral for purposes of this chap-  
15               ter, except that such contribution shall not be ex-  
16               cludable from gross income, and

17               “(2) such plan (and any arrangement which is  
18               part of such plan) shall not be treated as failing to  
19               meet any requirement of this chapter solely by rea-  
20               son of including such program.

21          “(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—  
22 For purposes of this section—

23               “(1) IN GENERAL.—The term ‘qualified plus  
24               contribution program’ means a program under which  
25               an employee may elect to make designated plus con-

1       tributions in lieu of all or a portion of elective defer-  
2       rals the employee is otherwise eligible to make under  
3       the applicable retirement plan.

4           “(2) SEPARATE ACCOUNTING REQUIRED.—A  
5       program shall not be treated as a qualified plus con-  
6       tribution program unless the applicable retirement  
7       plan—

8           “(A) establishes separate accounts (‘des-  
9       ignated plus accounts’) for the designated plus  
10       contributions of each employee and any earn-  
11       ings properly allocable to the contributions, and

12           “(B) maintains separate recordkeeping  
13       with respect to each account.

14       “(c) DEFINITIONS AND RULES RELATING TO DES-  
15       IGNATED PLUS CONTRIBUTIONS.—For purposes of this  
16       section—

17           “(1) DESIGNATED PLUS CONTRIBUTION.—The  
18       term ‘designated plus contribution’ means any elec-  
19       tive deferral which—

20           “(A) is excludable from gross income of an  
21       employee without regard to this section, and

22           “(B) the employee designates (at such time  
23       and in such manner as the Secretary may pre-  
24       scribe) as not being so excludable.

1           “(2) DESIGNATION LIMITS.—The amount of  
2       elective deferrals which an employee may designate  
3       under paragraph (1) shall not exceed the excess (if  
4       any) of—

5           “(A) the maximum amount of elective de-  
6       ferrals excludable from gross income of the em-  
7       ployee for the taxable year (without regard to  
8       this section), over

9           “(B) the aggregate amount of elective de-  
10      ferrals of the employee for the taxable year  
11      which the employee does not designate under  
12      paragraph (1).

13       “(3) ROLLOVER CONTRIBUTIONS.—

14           “(A) IN GENERAL.—A rollover contribu-  
15      tion of any payment or distribution from a des-  
16      ignated plus account which is otherwise allow-  
17      able under this chapter may be made only if the  
18      contribution is to—

19           “(i) another designated plus account  
20           of the individual from whose account the  
21           payment or distribution was made, or

22           “(ii) a Roth IRA of such individual.

23           “(B) COORDINATION WITH LIMIT.—Any  
24      rollover contribution to a designated plus ac-  
25      count under subparagraph (A) shall not be

1 taken into account for purposes of paragraph  
2 (1).

3 “(d) DISTRIBUTION RULES.—For purposes of this  
4 title—

5 “(1) EXCLUSION.—Any qualified distribution  
6 from a designated plus account shall not be includ-  
7 ible in gross income.

8 “(2) QUALIFIED DISTRIBUTION.—For purposes  
9 of this subsection—

10 “(A) IN GENERAL.—The term ‘qualified  
11 distribution’ has the meaning given such term  
12 by section 408A(d)(2)(A).

13 “(B) DISTRIBUTIONS WITHIN NONEXCLU-  
14 SION PERIOD.—A payment or distribution from  
15 a designated plus account shall not be treated  
16 as a qualified distribution if such payment or  
17 distribution is made within the 5-taxable-year  
18 period beginning with the earlier of—

19 “(i) the earlier of—

20 “(I) the 1st taxable year for  
21 which the individual made a des-  
22 ignated plus contribution to any des-  
23 ignated plus account established for  
24 such individual under the same appli-  
25 cable retirement plan, or



1 “(II) if a rollover contribution  
 2 was made to such designated plus ac-  
 3 count from a designated plus account  
 4 previously established for such indi-  
 5 vidual under another applicable retire-  
 6 ment plan, the 1st taxable year for  
 7 which the individual made a des-  
 8 ignated plus contribution to such pre-  
 9 viously established account), or

10 “(ii) the 1st taxable year for which  
 11 the individual (or the individual’s spouse)  
 12 made a contribution to a Roth IRA estab-  
 13 lished for such individual.

14 “(C) DISTRIBUTIONS OF EXCESS DEFER-  
 15 RALS AND EARNINGS.—The term ‘qualified dis-  
 16 tribution’ shall not include any distribution of  
 17 any excess deferral under section 402(g)(2) and  
 18 any income on the excess deferral.

19 “(3) AGGREGATION RULES.—Section 72 shall  
 20 be applied separately with respect to distributions  
 21 and payments from a designated plus account and  
 22 other distributions and payments from the plan.

23 “(e) OTHER DEFINITIONS.—For purposes of this  
 24 section—

1           “(1) APPLICABLE RETIREMENT PLAN.—The  
2       term ‘applicable retirement plan’ means—

3           “(A) an employees’ trust described in sec-  
4       tion 401(a) which is exempt from tax under  
5       section 501(a), and

6           “(B) a plan under which amounts are con-  
7       tributed by an individual’s employer for an an-  
8       nuity contract described in section 403(b).

9           “(2) ELECTIVE DEFERRAL.—The term ‘elective  
10      deferral’ means any elective deferral described in  
11      subparagraph (A) or (C) of section 402(g)(3).”

12      (b) EXCESS DEFERRALS.—Section 402(g) (relating  
13      to limitation on exclusion for elective deferrals) is  
14      amended—

15           (1) by adding at the end of paragraph (1) the  
16      following new sentence: “The preceding sentence  
17      shall not apply to so much of such excess as does  
18      not exceed the designated plus contributions of the  
19      individual for the taxable year.”, and

20           (2) by inserting “(or would be included but for  
21      the last sentence thereof)” after “paragraph (1)” in  
22      paragraph (2)(A).

23      (c) ROLLOVERS.—

1           (1) QUALIFIED TRUSTS.—Section 402(d)(8)(B)  
2       is amended by adding at the end the following new  
3       flush sentence:

4           “Without regard to the foregoing provisions of  
5       this paragraph, if any portion of an eligible roll-  
6       over distribution is attributable to payments or  
7       distributions from a designated plus account (as  
8       defined in section 402A), an eligible retirement  
9       plan with respect to such portion shall include  
10      only another designated plus account and a  
11      Roth IRA.”

12          (2) ANNUITIES.—Section 403(b)(8)(A) is  
13      amended by adding at the end the following new  
14      sentence: “If any portion of an eligible rollover dis-  
15      tribution is attributable to payments or distributions  
16      from a designated plus account (as defined in sec-  
17      tion 402A), the transfer of such portion under  
18      clause (ii) may be made only to another such ac-  
19      count or to a Roth IRA.”

20          (3) INDIVIDUAL RETIREMENT PLANS.—Section  
21      408(d)(3) is amended by adding at the end the fol-  
22      lowing new subparagraph:

23           “(H) DESIGNATED PLUS ACCOUNTS.—The  
24       requirements of clauses (ii) and (iii) of subpara-  
25       graph (A) shall not be treated as met if the

1           rollover contribution includes any amount at-  
2           tributable to a designated plus account (as de-  
3           fined in section 402A).”

4       (d) REPORTING REQUIREMENTS.—

5           (1) W-2 INFORMATION.—Section 6051(a)(8) is  
6           amended by inserting “, including the amount of  
7           designated plus contributions (as defined in section  
8           402A)” before the comma at the end.

9           (2) INFORMATION.—Section 6047 is amended  
10          by redesignating subsection (f) as subsection (g) and  
11          by inserting after subsection (e) the following new  
12          subsection:

13          “(f) DESIGNATED PLUS CONTRIBUTIONS.—The Sec-  
14          retary shall require the plan administrator of each applica-  
15          ble retirement plan (as defined in section 402A) to make  
16          such returns and reports regarding designated plus con-  
17          tributions (as so defined) to the Secretary, participants  
18          and beneficiaries of the plan, and such other persons as  
19          the Secretary may prescribe.”

20       (e) CONFORMING AMENDMENTS.—

21           (1) Section 408A(e) is amended by adding after  
22           the first sentence the following new sentence: “Such  
23           term includes a rollover contribution described in  
24           section 402A(c)(3)(A).”

1           (2) The table of sections for subpart A of part  
 2           I of subchapter D of chapter 1 is amended by insert-  
 3           ing after the item relating to section 402 the fol-  
 4           lowing new item:

“Sec. 402A. Optional treatment of elective deferrals as plus contributions.”

5           (f) **EFFECTIVE DATE.**—The amendments made by  
 6 this section shall apply to taxable years beginning after  
 7 December 31, 2000.

8   **SEC. 202. INCREASE IN LIMIT ON EXCLUSION AMOUNT FOR**  
 9                           **ELECTIVE DEFERRALS.**

10          (a) **INCREASE IN ELECTIVE DEFERRAL LIMIT.**—  
 11 Paragraph (1) of section 402(g) (relating to limitation on  
 12 exclusion for elective deferrals) is amended by striking  
 13 “\$7,000” and inserting “\$15,000”.

14          (b) **CONFORMING AMENDMENTS.**—

15               (1)(A) Section 402(g) is amended by striking  
 16 paragraph (4) and by redesignating paragraphs (5),  
 17 (6), (7), (8), and (9) as paragraphs (4), (5), (6),  
 18 (7), and (8), respectively.

19               (B) Section 457(c)(2) is amended by striking  
 20 “section 402(g)(8)(A)(iii)” and inserting “section  
 21 402(g)(7)(A)(iii)”.

22               (C) Section 501(c)(18)(D)(iii) is amended by  
 23 striking “(other than paragraph (4) thereof)”.

1           (2) Section 402(g)(4), as redesignated by para-  
 2           graph (1)(A), is amended by striking “\$7,000” and  
 3           inserting “\$15,000”.

4           (3) Section 402(g)(4), as so redesignated, is  
 5           amended by inserting “the base period taken into  
 6           account shall be the calendar quarter ending Sep-  
 7           tember 30, 1999, and” after “except that”.

8           (c) EFFECTIVE DATE.—The amendments made by  
 9           this section shall apply to taxable years beginning after  
 10          December 31, 1999.

11   **SEC. 203. INCREASED LIMIT ON DEFERRED AMOUNT FOR**  
 12                           **PLANS OF STATE AND LOCAL GOVERNMENTS.**

13          (a) IN GENERAL.—Subparagraph (A) of section  
 14          457(b)(2) (defining eligible deferred compensation plan)  
 15          is amended by inserting “(\$12,000, in the case of a plan  
 16          of an eligible employer as defined in subsection (e)(1)(A))”  
 17          after “\$7,500”.

18          (b) EFFECTIVE DATE.—The amendments made by  
 19          this section shall apply to years beginning after December  
 20          31, 1999.

21   **SEC. 204. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF**  
 22                           **EMPLOYEES TO DEFINED CONTRIBUTION**  
 23                           **PLANS.**

24          (a) EQUITABLE TREATMENT.—

1           (1) IN GENERAL.—Subparagraph (B) of section  
2           415(c)(1) (relating to limitation for defined con-  
3           tribution plans) is amended to read as follows:

4                     “(B) the participant’s compensation.”

5           (2) APPLICATION TO SECTION 403(b).—Section  
6           403(b) is amended—

7                     (A) by striking “the exclusion allowance  
8                     for such taxable year” in paragraph (1) and in-  
9                     serting “the applicable limit under section  
10                    415”,

11                    (B) by striking paragraph (2), and

12                    (C) by inserting “or any amount received  
13                    by a former employee after the 5th taxable year  
14                    following the taxable year in which such em-  
15                    ployee was terminated” before the period at the  
16                    end of the second sentence of paragraph (3).

17           (3) CONFORMING AMENDMENTS.—

18                    (A) Subsection (f) of section 72 is amend-  
19                    ed by striking “section 403(b)(2)(D)(iii))” and  
20                    inserting “section 403(b)(2)(D)(iii), as in effect  
21                    on December 31, 1998)”.

22                    (B) Section 404(a)(10)(B) is amended by  
23                    striking “, the exclusion allowance under sec-  
24                    tion 403(b)(2),”.

1 (C) Section 415(a)(2) is amended by strik-  
2 ing “, and the amount of the contribution for  
3 such portion shall reduce the exclusion allow-  
4 ance as provided in section 403(b)(2)”.

5 (D) Section 415(c)(3) is amended by add-  
6 ing at the end the following new subparagraph:

7 “(E) ANNUITY CONTRACTS.—In the case  
8 of an annuity contract described in section  
9 403(b), the term ‘participant’s compensation’  
10 means the participant’s includible compensation  
11 determined under section 403(b)(3).”

12 (E) Section 415(c) is amended by striking  
13 paragraph (4) and redesignating paragraph (6)  
14 as paragraph (4).

15 (F) Section 415(c)(7) is amended to read  
16 as follows:

17 “(5) CERTAIN CONTRIBUTIONS BY CHURCH  
18 PLANS NOT TREATED AS EXCEEDING LIMIT.—

19 “(A) IN GENERAL.—Notwithstanding any  
20 other provision of this subsection, at the elec-  
21 tion of a participant who is an employee of a  
22 church, a convention or association of churches,  
23 including an organization described in section  
24 414(e)(3)(B)(ii), contributions and other addi-  
25 tions for an annuity contract or retirement in-



come account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant's account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of \$10,000.

“(B) \$40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed \$40,000.

“(C) ANNUAL ADDITION.—For purposes of this paragraph, the term ‘annual addition’ has the meaning given such term by paragraph (2).”

(G) Section 415(e)(3)(B) is amended—

(i) by striking “subsection (c)(6)” in clause (i) and inserting “subsection (c)(4)”, and

(ii) by striking “subsection (c)(7)” in clause (ii)(II) and inserting “subsection (c)(5)”.

(H) Section 415(e)(5) is amended—

(i) by striking “(except in the case of a participant who has elected under sub-

1 section (c)(4)(D) to have the provisions of  
 2 subsection (c)(4)(C) apply”, and

3 (ii) by striking the last sentence.

4 (I) Section 415(n)(2)(B) is amended by  
 5 striking “percentage”.

6 (J) Subparagraph (B) of section  
 7 402(g)(7), as redesignated by section  
 8 202(b)(1)(A), is amended by inserting before  
 9 the period at the end the following: “(as in ef-  
 10 fect on the date of the enactment of the Retire-  
 11 ment Savings Opportunity Act of 1999)”.

12 (b) DEFERRED COMPENSATION PLANS OF STATE  
 13 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-  
 14 ZATIONS.—Subparagraph (B) of section 457(b)(2) (relat-  
 15 ing to salary limitation on eligible deferred compensation  
 16 plans” is amended by striking “33 $\frac{1}{3}$  percent” and insert-  
 17 ing “100 percent”.

18 (c) ELECTIVE DEFERRALS NOT TAKEN INTO AC-  
 19 COUNT FOR PURPOSES OF LIMITS.—Section 404 (relating  
 20 to deduction for contributions of an employer to an em-  
 21 ployees’ trust or annuity plan and compensation under a  
 22 deferred-payment plan) is amended by adding at the end  
 23 the following new subsection:

24 “(n) ELECTIVE DEFERRALS NOT TAKEN INTO AC-  
 25 COUNT FOR PURPOSES OF LIMITS.—Elective deferrals (as

1 defined in section 402(g)(3)) shall not be subject to any  
 2 limitation described in this section (other than subsection  
 3 (a)), and such elective deferrals shall not be taken into  
 4 account in applying such limitations to any other contribu-  
 5 tions.”

6 (d) EFFECTIVE DATE.—The amendments made by  
 7 this section shall apply to years beginning after December  
 8 31, 1999.

9 **SEC. 205. REPEAL OF 150 PERCENT OF CURRENT LIABILITY**  
 10 **FUNDING LIMIT.**

11 (a) IN GENERAL.—

12 (1) CODE AMENDMENT.—Section 412(c)(7) (re-  
 13 lating to full-funding limitation) is amended—

14 (A) by striking “the applicable percentage”  
 15 in subparagraph (A)(i)(I) and inserting “in the  
 16 case of plan years beginning before January 1,  
 17 2003, the applicable percentage”, and

18 (B) by amending subparagraph (F) to read  
 19 as follows:

20 “(F) APPLICABLE PERCENTAGE.—For  
 21 purposes of subparagraph (A)(i)(I), the applica-  
 22 ble percentage shall be determined in accord-  
 23 ance with the following table:

**“In the case of any plan year The applicable percentage is—  
 beginning in—**

1999 .....	155
2000 .....	160

**“In the case of any plan year    The applicable percentage is—  
beginning in—**

2001 .....	165
2002 .....	170.”

1           (2) ERISA AMENDMENT.—Section 302(c)(7) of  
2           the Employee Retirement Income Security Act of  
3           1974 (29 U.S.C. 1082(c)(7)) is amended—

4                   (A) by striking “the applicable percentage”  
5                   in subparagraph (A)(i)(I) and inserting “in the  
6                   case of plan years beginning before January 1,  
7                   2003, the applicable percentage”, and

8                   (B) by amending subparagraph (F) to read  
9                   as follows:

10           “(F) APPLICABLE PERCENTAGE.—For purposes  
11           of subparagraph (A)(i)(I), the applicable percentage  
12           shall be determined in accordance with the following  
13           table:

**“In the case of any plan year    The applicable percentage is—  
beginning in—**

1999 .....	155
2000 .....	160
2001 .....	165
2002 .....	170.”

14           (3) EFFECTIVE DATE.—The amendments made  
15           by this subsection shall apply to plan years begin-  
16           ning after December 31, 1998.

17           (b) MAXIMUM CONTRIBUTION DEDUCTION RULES  
18           MODIFIED AND APPLIED TO ALL DEFINED BENEFIT  
19           PLANS.—

1           (1) IN GENERAL.—Section 404(a)(1)(D) (relat-  
2       ing to special rule in case of certain plans) is  
3       amended—

4           (A) by striking “which has more than 100  
5       participants for the plan year”,

6           (B) by striking “unfunded current liability  
7       determined under section 414(l)” and inserting  
8       “unfunded termination liability (determined as  
9       if the proposed termination date referred to in  
10      section 4041(b)(2)(A)(i)(II) of the Employee  
11      Retirement Income Security Act of 1974 were  
12      the last day of the plan year)”,

13          (C) by inserting after the first sentence the  
14      following new sentence: “For purposes of this  
15      subparagraph, in the case of a plan which has  
16      less than 100 participants for the plan year,  
17      termination liability shall not include the liabil-  
18      ity attributable to benefit increases for highly  
19      compensated employees (as defined in section  
20      414(q)) brought about by plan amendment  
21      within the last 2 years before the termination  
22      date.”, and

23          (D) by striking “(other than a multiem-  
24      ployer plan)”.

1           (2) CONFORMING AMENDMENT.—Paragraph (6)  
 2           of section 4972(c) is amended by striking the sen-  
 3           tence preceding the last sentence thereof.

4           (3) EFFECTIVE DATE.—The amendments made  
 5           by this subsection shall apply to plan years begin-  
 6           ning after the date of the enactment of this Act.

7   **SEC. 206. REPEAL OF TRANSITIONAL RULE.**

8           (a) IN GENERAL.—Paragraph (3) of section 1114(c)  
 9           of the Tax Reform Act of 1986 is hereby repealed.

10          (b) EFFECTIVE DATE.—The amendment made by  
 11          subsection (a) shall apply to years beginning after Decem-  
 12          ber 31, 1999.

13           **TITLE III—SMALL BUSINESS**  
 14                   **INCENTIVES**

15   **SEC. 301. CREDIT FOR SMALL EMPLOYER PENSION PLAN**  
 16                   **CONTRIBUTIONS AND START-UP COSTS.**

17          (a) IN GENERAL.—Subpart D of part IV of sub-  
 18          chapter A of chapter 1 (relating to business related cred-  
 19          its) is amended by adding at the end the following new  
 20          section:

21   **“SEC. 45D. SMALL EMPLOYER PENSION PLAN CREDIT.**

22          “(a) GENERAL RULE.—For purposes of section 38,  
 23          in the case of an eligible employer, the small employer pen-  
 24          sion plan credit determined under this section for any tax-  
 25          able year is an amount equal to the sum of—

1           “(1) 50 percent of the qualified employer con-  
2       tributions of the taxpayer for the taxable year, and

3           “(2) the qualified start-up costs paid or in-  
4       curred by the taxpayer during the taxable year.

5       “(b) LIMITATIONS.—

6           “(1) LIMITS ON CONTRIBUTIONS.—For pur-  
7       poses of subsection (a)(1)—

8           “(A) qualified employer contributions may  
9       only be taken into account for each of the first  
10      5 taxable years ending after the date the em-  
11      ployer establishes the qualified employer plan to  
12      which the contribution is made, and

13          “(B) the amount of the qualified employer  
14      contributions taken into account with respect to  
15      any qualified employee for any such taxable  
16      year shall not exceed 3 percent of the com-  
17      pensation (as defined in section 414(s)) of the  
18      qualified employee for such taxable year.

19          “(2) LIMITS ON START-UP COSTS.—The amount  
20      of the credit determined under subsection (a)(2) for  
21      any taxable year shall not exceed—

22          “(A) \$500 for each of the first, second,  
23      and third taxable years ending after the date  
24      the employer established the qualified employer  
25      plan to which such costs relate, and

1 “(B) zero for each taxable year thereafter.

2 “(c) DEFINITIONS.—For purposes of this section—

3 “(1) ELIGIBLE EMPLOYER.—

4 “(A) IN GENERAL.—The term ‘eligible em-  
5 ployer’ means, with respect to any year, an em-  
6 ployer which has no more than—

7 “(i) for purposes of subsection (a)(1),  
8 50 employees, and

9 “(ii) for purposes of subsection (a)(2),  
10 100 employees,

11 who received at least \$5,000 of compensation  
12 from the employer for the preceding year.

13 “(B) 2-YEAR GRACE PERIOD.—An eligible  
14 employer who establishes and maintains a quali-  
15 fied employer plan for 1 or more years and who  
16 fails to be an eligible employer for any subse-  
17 quent year shall be treated as an eligible em-  
18 ployer for the 2 years following the last year  
19 the employer was an eligible employer.

20 “(C) REQUIREMENT FOR NEW QUALIFIED  
21 EMPLOYER PLANS.—Such term shall not in-  
22 clude an employer if the employer (or any pred-  
23 ecessor employer) established or maintained a  
24 qualified employer plan with respect to which  
25 contributions were made, or benefits were ac-



1           crued, for service in the 3 taxable years ending  
 2           prior to the first taxable year in which the cred-  
 3           it under this section is allowed.

4           “(2) QUALIFIED EMPLOYER CONTRIBUTIONS.—

5                 “(A) IN GENERAL.—The term ‘qualified  
 6           employer contributions’ means, with respect to  
 7           any taxable year, any employer contributions  
 8           made on behalf of a qualified employee to a  
 9           qualified employer plan for a plan year ending  
 10          with or within the taxable year.

11                “(B) EMPLOYER CONTRIBUTIONS.—The  
 12          term ‘employer contributions’ shall not include  
 13          any elective deferral (within the meaning of sec-  
 14          tion 402(g)(3)).

15           “(3) QUALIFIED EMPLOYEE.—The term ‘quali-  
 16          fied employee’ means an individual who—

17                 “(A) is eligible to participate in the quali-  
 18          fied employer plan to which the employer con-  
 19          tributions are made, and

20                 “(B) is not a highly compensated employee  
 21          (within the meaning of section 414(q)) for the  
 22          year for which the contribution is made.

23           “(4) QUALIFIED START-UP COSTS.—The term  
 24          ‘qualified start-up costs’ means any ordinary and

1 necessary expenses of an eligible employer which are  
2 paid or incurred in connection with—

3 “(A) the establishment or maintenance of  
4 a qualified employer plan in which qualified em-  
5 ployees are eligible to participate, and

6 “(B) providing educational information to  
7 employees regarding participation in such plan  
8 and the benefits of establishing an investment  
9 plan.

10 “(5) QUALIFIED EMPLOYER PLAN.—The term  
11 ‘qualified employer plan’ has the meaning given such  
12 term in section 4972(d).

13 “(d) SPECIAL RULES.—

14 “(1) AGGREGATION RULES.—All persons treat-  
15 ed as a single employer under subsection (a) or (b)  
16 of section 52, or subsection (n) or (o) of section 414,  
17 shall be treated as one person. All qualified employer  
18 plans of an employer shall be treated as 1 qualified  
19 employer plan.

20 “(2) DISALLOWANCE OF DEDUCTION.—No de-  
21 duction shall be allowable under this chapter for any  
22 qualified start-up costs or qualified employer con-  
23 tributions for which a credit is determined under  
24 subsection (a).

1           “(3) ELECTION NOT TO CLAIM CREDIT.—This  
 2           section shall not apply to a taxpayer for any taxable  
 3           year if such taxpayer elects to have this section not  
 4           apply for such taxable year.”

5           (b) CREDIT ALLOWED AS PART OF GENERAL BUSI-  
 6           NESS CREDIT.—Section 38(b) (defining current year busi-  
 7           ness credit) is amended by striking “plus” at the end of  
 8           paragraph (11), by striking the period at the end of para-  
 9           graph (12) and inserting “, plus”, and by adding at the  
 10          end the following new paragraph:

11           “(13) in the case of an eligible employer (as de-  
 12          fined in section 45D(c)), the small employer pension  
 13          plan credit determined under section 45D(a).”

14          (c) CONFORMING AMENDMENT.—The table of sec-  
 15          tions for subpart D of part IV of subchapter A of chapter  
 16          1 is amended by adding at the end the following new item:

            “Sec. 45D. Small employer pension plan credit.”

17          (d) EFFECTIVE DATE.—The amendments made by  
 18          this section shall apply to costs paid or incurred or con-  
 19          tributions made in connection with qualified employer  
 20          plans established after December 31, 1999.

21      **SEC. 302. SAFE ANNUITIES AND TRUSTS.**

22          (a) IN GENERAL.—Subpart A of part I of subchapter  
 23          D of chapter 1 (relating to deferred compensation, etc.)  
 24          is amended by inserting after section 408A the following  
 25          new section:

1 **“SEC. 408B. SAFE ANNUITIES AND TRUSTS.**

2 **“(a) EMPLOYER ELIGIBILITY.—**

3 **“(1) IN GENERAL.—**An employer may establish  
4 and maintain a SAFE annuity or a SAFE trust for  
5 any year only if—

6 **“(A) the employer is an eligible employer**  
7 **(as defined in section 408(p)(2)(C)), and**

8 **“(B) the employer does not maintain (and**  
9 **no predecessor of the employer maintains) a**  
10 **qualified plan (other than a permissible plan)**  
11 **with respect to which contributions were made,**  
12 **or benefits were accrued, for service in any year**  
13 **in the period beginning with the year such an-**  
14 **nuity or trust became effective and ending with**  
15 **the year for which the determination is being**  
16 **made.**

17 **“(2) DEFINITIONS.—For purposes of paragraph**  
18 **(1)—**

19 **“(A) QUALIFIED PLAN.—**The term ‘quali-  
20 fied plan’ has the meaning given such term by  
21 section 408(p)(2)(D)(ii).

22 **“(B) PERMISSIBLE PLAN.—**The term ‘per-  
23 missible plan’ means—

24 **“(i) a plan under which only elective**  
25 **deferrals described in section 402(g)(3),**  
26 **deferred compensation described in section**

1                   457, or employer matching contributions  
2                   may be made, and

3                   “(ii) any collectively bargained plan.

4                   “(b) SAFE ANNUITY.—

5                   “(1) IN GENERAL.—For purposes of this title,  
6                   the term ‘SAFE annuity’ means an individual retire-  
7                   ment annuity (as defined in section 408(b) without  
8                   regard to paragraph (2) thereof and without regard  
9                   to the limitation on aggregate annual premiums con-  
10                  tained in the flush language of section 408(b)) if—

11                  “(A) such annuity meets the requirements  
12                  of paragraphs (2) through (6), and

13                  “(B) the only contributions to such annu-  
14                  ity (other than rollover contributions) are em-  
15                  ployer contributions.

16                  Nothing in this section shall be construed as pre-  
17                  venting an employer from using a group annuity  
18                  contract which is divisible into individual retirement  
19                  annuities for purposes of providing SAFE annuities.

20                  “(2) PARTICIPATION REQUIREMENTS.—

21                  “(A) IN GENERAL.—The requirements of  
22                  this paragraph are met for any year only if all  
23                  employees of the employer who—

1 “(i) received at least \$5,000 in com-  
 2 pensation from the employer during any 2  
 3 consecutive preceding years, and

4 “(ii) received at least \$5,000 in com-  
 5 pensation during the year,

6 are entitled to the benefit described in para-  
 7 graph (5) for such year.

8 “(B) EXCLUDABLE EMPLOYEES.—An em-  
 9 ployer may elect to exclude from the require-  
 10 ments under subparagraph (A) employees de-  
 11 scribed in section 410(b)(3).

12 “(3) VESTING.—The requirements of this para-  
 13 graph are met if the employee’s rights to any bene-  
 14 fits are nonforfeitable.

15 “(4) BENEFIT FORM.—

16 “(A) IN GENERAL.—The requirements of  
 17 this paragraph are met if the only form of ben-  
 18 efit is—

19 “(i) a benefit payable annually in the  
 20 form of a single life annuity with monthly  
 21 payments (with no ancillary benefits) be-  
 22 ginning at age 65, or

23 “(ii) any other form of benefit which  
 24 is the actuarial equivalent (based on the

1           assumptions specified in the SAFE annu-  
2           ity) of the benefit described in clause (i).

3           “(B) DIRECT TRANSFERS AND ROLL-  
4           OVERS.—A plan shall not fail to meet the re-  
5           quirements of this paragraph by reason of per-  
6           mitting, at the election of the employee, a trust-  
7           ee-to-trustee transfer or a rollover contribution.

8           “(5) AMOUNT OF ANNUAL ACCRUED BEN-  
9           EFIT.—

10           “(A) IN GENERAL.—The requirements of  
11           this paragraph are met for any plan year if the  
12           accrued benefit of each participant derived from  
13           employer contributions for such year, when ex-  
14           pressed as a benefit described in paragraph  
15           (4)(A), equals the applicable percentage of the  
16           participant’s compensation for such year.

17           “(B) APPLICABLE PERCENTAGE.—For  
18           purposes of this paragraph—

19           “(i) IN GENERAL.—The term ‘applica-  
20           ble percentage’ means 3 percent.

21           “(ii) ELECTION OF LOWER PERCENT-  
22           AGE.—An employer may elect to apply an  
23           applicable percentage of 1 percent, 2 per-  
24           cent or zero percent for any year for all  
25           employees eligible to participate in the plan

1           for such year if the employer notifies the  
2           employees of such percentage within a rea-  
3           sonable period before the beginning of such  
4           year.

5           “(C) COMPENSATION LIMIT.—The com-  
6           pensation taken into account under this para-  
7           graph for any year shall not exceed the limita-  
8           tion in effect for such year under section  
9           401(a)(17).

10          “(D) CREDIT FOR SERVICE BEFORE PLAN  
11          ADOPTED.—

12               “(i) IN GENERAL.—An employer may  
13               elect to take into account a specified num-  
14               ber of years of service (not greater than  
15               10) performed before the adoption of the  
16               plan (each hereinafter referred to as a  
17               ‘prior service year’) as service under the  
18               plan if the same specified number of years  
19               is available to all employees eligible to par-  
20               ticipate in the plan for the first plan year.

21               “(ii) ACCRUAL OF PRIOR SERVICE  
22               BENEFIT.—Such an election shall be effec-  
23               tive for a prior service year only if the re-  
24               quirements of this paragraph are met for  
25               an eligible plan year (with respect to em-



1 employees entitled to credit for such prior  
2 service year) by doubling the applicable  
3 percentage (if any) for such plan year. For  
4 purposes of the preceding sentence, an eli-  
5 gible plan year is a plan year in the period  
6 of consecutive plan years (but not more  
7 than the number specified under clause (i))  
8 beginning with the first plan year that the  
9 plan is in effect.

10 “(iii) ELECTION MAY NOT APPLY TO  
11 CERTAIN PRIOR SERVICE YEARS.—This  
12 subparagraph shall not apply with respect  
13 to any prior service year of an employee  
14 if—

15 “(I) for any part of such prior  
16 service year such employee was an ac-  
17 tive participant (within the meaning  
18 of section 219(g)(5), as in effect on  
19 the day before the date of the enact-  
20 ment of the Retirement Savings Op-  
21 portunity Act of 1999) under any de-  
22 fined benefit plan of the employer (or  
23 any predecessor thereof), or

24 “(II) such employee received dur-  
25 ing such prior service year less than

1                   \$5,000 in compensation from the em-  
2                   ployer.

3           “(6) FUNDING.—

4                   “(A) IN GENERAL.—The requirements of  
5                   this paragraph are met only if the employer is  
6                   required to contribute to the annuity for each  
7                   plan year the amount necessary (determined in  
8                   accordance with subparagraph (B)) to fund the  
9                   accrued benefit for each participant entitled to  
10                  such benefit for such year.

11                  “(B) ACTUARIAL ASSUMPTIONS.—In deter-  
12                  mining the amount required to be contributed  
13                  under subparagraph (A)—

14                       “(i) the assumed interest rate shall be  
15                       not less than 3 percent and not greater  
16                       than 5 percent per year,

17                       “(ii) the assumed mortality shall be  
18                       determined under the applicable mortality  
19                       table (as defined in section 417(e)(3), as  
20                       modified by the Secretary so that it does  
21                       not include any assumption for preretire-  
22                       ment mortality),

23                       “(iii) the assumed retirement age  
24                       shall be 65, and

1 “(iv) an assumption for reasonable ex-  
2 penses shall be permitted consistent with  
3 State law.

4 “(C) TIME WHEN CONTRIBUTIONS  
5 DEEMED MADE.—For purposes of this para-  
6 graph, an employer shall be deemed to have  
7 made a contribution on the last day of the pre-  
8 ceding taxable year if the payment is on ac-  
9 count of such taxable year and is made not  
10 later than the time prescribed by law for filing  
11 the return for such taxable year (including ex-  
12 tensions thereof).

13 “(D) PENALTY FOR FAILURE TO MAKE RE-  
14 QUIRED CONTRIBUTION.—The taxes imposed by  
15 section 4971 shall apply to a failure to make  
16 the contribution required by this paragraph in  
17 the same manner as if the amount of the failure  
18 were an accumulated funding deficiency to  
19 which such section applies.

20 “(7) DEFINITIONS AND SPECIAL RULE.—

21 “(A) DEFINITIONS.—The definitions in  
22 section 408(p)(6) shall apply for purposes of  
23 this subsection.

24 “(B) USE OF DESIGNATED FINANCIAL IN-  
25 STITUTIONS.—A rule similar to the rule of sec-

1           tion 408(p)(7) (without regard to the last sen-  
 2           tence thereof) shall apply for purposes of this  
 3           subsection.

4           “(C) TREATMENT OF MATCHING CON-  
 5           TRIBUTIONS.—A rule similar to the rule of sec-  
 6           tion 408(p)(8) shall apply for purposes of this  
 7           subsection.

8           “(c) SAFE TRUST.—

9           “(1) IN GENERAL.—For purposes of this title,  
 10          the term ‘SAFE trust’ means a trust forming part  
 11          of a defined benefit plan if—

12           “(A) such trust meets the requirements of  
 13          section 401(a) as modified by subsection (d),

14           “(B) a participant’s benefits under the  
 15          plan are based solely on the balance of a sepa-  
 16          rate account in such plan of such participant,

17           “(C) such plan meets the requirements of  
 18          paragraphs (2) through (8), and

19           “(D) the only contributions to such trust  
 20          (other than rollover contributions) are employer  
 21          contributions.

22           “(2) PARTICIPATION REQUIREMENTS.—A plan  
 23          meets the requirements of this paragraph for any  
 24          year only if the requirements of subsection (b)(2)  
 25          are met for such year.

1           “(3) VESTING.—A plan meets the requirements  
2           of this paragraph for any year only if the require-  
3           ments of subsection (b)(3) are met for such year.

4           “(4) BENEFIT FORM.—A plan meets the re-  
5           quirements of this paragraph only if the require-  
6           ments of subsection (b)(4) are met. For purposes of  
7           this paragraph, a plan may satisfy the requirements  
8           of subsection (b)(4) by purchasing an annuity con-  
9           tract which meets the requirements of subsection  
10          (b)(4).

11          “(5) AMOUNT OF ANNUAL ACCRUED BEN-  
12          EFIT.—A plan meets the requirements of this para-  
13          graph for any year only if the requirements of sub-  
14          section (b)(5) are met for such year.

15          “(6) FUNDING.—

16                 “(A) IN GENERAL.—A plan meets the re-  
17                 quirements of this paragraph for any year only  
18                 if—

19                         “(i) the requirements of subsection  
20                         (b)(6) are met for such year, and

21                         “(ii) in the case of a plan which has  
22                         an unfunded prior year liability as of the  
23                         close of such plan year, the plan requires  
24                         that the employer make an additional con-  
25                         tribution to such plan for such year equal

1 to the amount of such unfunded prior year  
2 liability.

3 “(B) UNFUNDED PRIOR YEAR LIABIL-  
4 ITY.—For purposes of this paragraph, the term  
5 ‘unfunded prior year liability’ means, with re-  
6 spect to any plan year, the excess (if any) of—

7 “(i) the aggregate of the accrued li-  
8 abilities under the plan as of the close of  
9 the prior plan year, over

10 “(ii) the value of the plan’s assets de-  
11 termined under section 412(c)(2) as of the  
12 close of the plan year (determined without  
13 regard to any contributions for such plan  
14 year).

15 Such accrued liabilities shall be determined  
16 using the assumptions specified in subsection  
17 (b)(6)(B).

18 “(C) CHANGES IN MORTALITY TABLE.—If  
19 the applicable mortality table under section  
20 417(e)(3) for any plan year is not the same as  
21 such table for the prior plan year, the Secretary  
22 shall prescribe regulations which phase in the  
23 effect of the changes over a reasonable period  
24 of plan years determined by the Secretary.

1           “(D) DISREGARD ASSUMPTIONS FOR EX-  
2           PENSES.—For purposes of this paragraph, the  
3           assumption specified in subsection (b)(6)(B)(iv)  
4           shall be disregarded.

5           “(7) SEPARATE ACCOUNTS FOR PARTICI-  
6           PANTS.—A plan meets the requirements of this  
7           paragraph for any year only if the plan provides—

8                 “(A) for an individual account for each  
9                 participant, and

10                “(B) for benefits based solely on—

11                         “(i) the amount contributed to the  
12                         participant’s account, and

13                         “(ii) any income, expenses, gains and  
14                         losses, and any forfeitures of accounts of  
15                         other participants which may be allocated  
16                         to such participant’s account.

17           “(8) TRUST MAY NOT HOLD SECURITIES WHICH  
18           ARE NOT READILY TRADABLE.—A plan meets the  
19           requirements of this paragraph only if the plan pro-  
20           hibits the trust from holding directly or indirectly se-  
21           curities which are not readily tradable on an estab-  
22           lished securities market or otherwise. Nothing in  
23           this paragraph shall prohibit the trust from holding  
24           insurance company products regulated by State law.

1           “(9) DEFINITIONS AND SPECIAL RULE.—The  
2       definitions and special rule applicable under sub-  
3       section (b)(7) shall apply for purposes of this sub-  
4       section.

5           “(d) SPECIAL RULES FOR SAFE ANNUITIES AND  
6       TRUSTS.—

7           “(1) CERTAIN REQUIREMENTS TREATED AS  
8       MET.—For purposes of section 401(a), a SAFE an-  
9       nuity and a SAFE trust shall be treated as meeting  
10      the requirements of the following provisions:

11           “(A) Section 401(a)(4) (relating to non-  
12      discrimination rules).

13           “(B) Section 401(a)(26) (relating to min-  
14      imum participation).

15           “(C) Section 410 (relating to minimum  
16      participation and coverage requirements).

17           “(D) Section 411(b) (relating to accrued  
18      benefit requirements).

19           “(E) Paragraphs (6) and (7) of section  
20      412(c) (relating to full funding limitation).

21           “(F) Section 415 (relating to limitations  
22      on benefits and contributions under qualified  
23      plans).

24           “(G) Section 416 (relating to special rules  
25      for top-heavy plans).



1           “(2) CONTRIBUTIONS NOT TAKEN INTO AC-  
2           COUNT IN APPLYING LIMITS TO OTHER PLANS.—  
3           Contributions to a SAFE annuity or a SAFE trust  
4           shall not be taken into account in applying sections  
5           404 and 415 to other plans maintained by the em-  
6           ployer.

7           “(3) COORDINATION WITH MAXIMUM LIMITA-  
8           TION UNDER SUBSECTION (a).—In the case of any  
9           SAFE annuity or SAFE trust, subsections (a)(1)  
10          and (b) of section 408 shall be applied by sub-  
11          stituting ‘the dollar amount in effect under section  
12          408B(b)(5)(C)’ for ‘\$2,000’ each place it appears in  
13          such subsections.

14          “(e) ROLLOVER CONTRIBUTION.—For purposes of  
15          this section, the term ‘rollover contribution’ means any  
16          rollover contribution under section 402(c), 403(a)(4),  
17          403(b)(8), 408(d)(3), or 457(e)(16).”

18          (b) DEDUCTION LIMITS NOT TO APPLY TO EM-  
19          PLOYER CONTRIBUTIONS.—

20                 (1) IN GENERAL.—Section 404 (relating to de-  
21          ductions for contributions of an employer to pension,  
22          etc., plans), as amended by section 204(c), is amend-  
23          ed by adding at the end the following new sub-  
24          section:

1       “(o) SPECIAL RULES FOR SAFE ANNUITIES AND  
2 TRUSTS.—

3               “(1) IN GENERAL.—Employer contributions to  
4 a SAFE annuity or SAFE trust shall be treated as  
5 if they are made to a plan subject to the require-  
6 ments of this section.

7               “(2) TIMING.—

8                       “(A) DEDUCTION.—Contributions de-  
9 scribed in paragraph (1) shall be deductible in  
10 the taxable year of the employer with or within  
11 which the calendar year for which the contribu-  
12 tions were made ends.

13                      “(B) CONTRIBUTIONS AFTER END OF  
14 YEAR.—For purposes of this subsection, con-  
15 tributions shall be treated as made for a taxable  
16 year if they are made on account of the taxable  
17 year and are made not later than the time pre-  
18 scribed by law for filing the return for the tax-  
19 able year (including extensions thereof).”

20               (2) COORDINATION WITH DEDUCTION UNDER  
21 SECTION 219.—Section 219(b) (relating to maximum  
22 amount of deduction) is amended by adding at the  
23 end the following new paragraph:

24                      “(5) SPECIAL RULE FOR SAFE ANNUITIES.—

25       This section shall not apply with respect to any

1 amount contributed to a SAFE annuity established  
2 under section 408A(B).”

3 (c) CONTRIBUTIONS AND DISTRIBUTIONS.—Section  
4 402 (relating to taxability of beneficiary of employees’  
5 trust) is amended by adding at the end the following new  
6 subsection:

7 “(l) TREATMENT OF SAFE ANNUITIES.—Rules simi-  
8 lar to the rules of paragraphs (1) and (3) of subsection  
9 (h) shall apply to contributions and distributions with re-  
10 spect to a SAFE annuities under section 408B.”

11 (d) INCREASED PENALTY ON EARLY WITH-  
12 DRAWALS.—Section 72(t) (relating to additional tax on  
13 early distributions) is amended by adding at the end the  
14 following new paragraph:

15 “(9) SPECIAL RULES FOR SAFE ANNUITIES AND  
16 TRUSTS.—In the case of any amount received from  
17 a SAFE annuity or a SAFE trust (within the mean-  
18 ing of section 408B), paragraph (1) shall be applied  
19 by substituting ‘20 percent’ for ‘10 percent’.”

20 (e) SIMPLIFIED EMPLOYER REPORTS.—

21 (1) SAFE ANNUITIES.—Section 408(l) (relating  
22 to simplified employer reports) is amended by add-  
23 ing at the end the following new paragraph:

24 “(3) SAFE ANNUITIES.—

1           “(A) SIMPLIFIED REPORT.—The employer  
2           maintaining any SAFE annuity (within the  
3           meaning of section 408B) shall file a simplified  
4           annual return with the Secretary containing  
5           only the information described in subparagraph  
6           (B).

7           “(B) CONTENTS.—The return required by  
8           subparagraph (A) shall set forth—

9                   “(i) the name and address of the em-  
10                  ployer,

11                   “(ii) the date the plan was adopted,

12                   “(iii) the number of employees of the  
13                  employer,

14                   “(iv) the number of such employees  
15                  who are eligible to participate in the plan,

16                   “(v) the total amount contributed by  
17                  the employer to each such annuity for such  
18                  year and the minimum amount required  
19                  under section 408B to be so contributed,

20                   “(vi) the percentage elected under sec-  
21                  tion 408B(b)(5)(B), and

22                   “(vii) the number of employees with  
23                  respect to whom contributions are required  
24                  to be made for such year under section  
25                  408B(b)(5)(D).

1                   “(C) REPORTING BY ISSUER OF SAFE AN-  
2                   NUITY.—

3                   “(i) IN GENERAL.—The issuer of each  
4                   SAFE annuity shall provide to the owner  
5                   of the annuity for each year a statement  
6                   setting forth as of the close of such year—

7                               “(I) the benefits guaranteed at  
8                               age 65 under the annuity, and

9                               “(II) the cash surrender value of  
10                              the annuity.

11                   “(ii) SUMMARY DESCRIPTION.—The  
12                   issuer of any SAFE annuity shall provide  
13                   to the employer maintaining the annuity  
14                   for each year a description containing the  
15                   following information:

16                              “(I) The name and address of  
17                              the employer and the issuer.

18                              “(II) The requirements for eligi-  
19                              bility for participation.

20                              “(III) The benefits provided with  
21                              respect to the annuity.

22                              “(IV) The procedures for, and ef-  
23                              fects of, withdrawals (including roll-  
24                              overs) from the annuity.

1                   “(D) TIME AND MANNER OF REPORT-  
 2                   ING.—Any return, report, or statement required  
 3                   under this paragraph shall be made in such  
 4                   form and at such time as the Secretary shall  
 5                   prescribe.”

6                   (2) SAFE TRUSTS.—Section 6059 (relating to  
 7                   actuarial reports) is amended by redesignating sub-  
 8                   sections (c) and (d) as subsections (d) and (e), re-  
 9                   spectively, and by inserting after subsection (b) the  
 10                  following new subsection:

11               “(c) SAFE TRUSTS.—In the case of a SAFE Trust  
 12               (within the meaning of section 408B), the Secretary shall  
 13               require a simplified actuarial report which contains infor-  
 14               mation similar to the information required in section  
 15               408(l)(3)(B).”

16               (f) CONFORMING AMENDMENTS.—

17               (1) Section 280G(b)(6) is amended by striking  
 18               “or” at the end of subparagraph (C), by striking the  
 19               period at the end of subparagraph (D) and inserting  
 20               “, or” and by adding after subparagraph (D) the  
 21               following new subparagraph:

22               “(E) a SAFE annuity described in section  
 23               408B.”

1           (2) Subsections (b), (c), (m)(4)(B), and  
 2           (n)(3)(B) of section 414 are each amended by in-  
 3           serting “408B,” after “408(p),”.

4           (3) Section 4972(d)(1)(A) is amended by strik-  
 5           ing “and” at the end of clause (iii), by striking the  
 6           period at the end of clause (iv) and inserting “,  
 7           and”, and by adding after clause (iv) the following  
 8           new clause:

9                               “(v) any SAFE annuity (within the  
 10                              meaning of section 408B).”

11           (4) The table of sections for subpart A of part  
 12           I of subchapter D of chapter 1 is amended by insert-  
 13           ing after the item relating to section 408A the fol-  
 14           lowing new item:

                              “Sec. 408B. SAFE annuities and trusts.”

15           (g) MODIFICATIONS OF ERISA.—

16           (1) EXEMPTION FROM INSURANCE COV-  
 17           ERAGE.—Subsection (b) of section 4021 of the Em-  
 18           ployee Retirement Income Security Act of 1974 (29  
 19           U.S.C. 1321) is amended by striking “or” at the end  
 20           of paragraph (12), by striking the period at the end  
 21           of paragraph (13) and inserting “; or”, and by add-  
 22           ing at the end the following new paragraph:

23                           “(14) which is established and maintained as  
 24                           part of a SAFE trust (as defined in section 408B  
 25                           of the Internal Revenue Code of 1986).”

1           (2) REPORTING REQUIREMENTS.—Section 101  
2       of such Act (29 U.S.C. 1021) is amended by redes-  
3       ignating the second subsection (h) as subsection (j)  
4       and by inserting after the first subsection (h) the  
5       following new subsection:

6       “(i) SAFE ANNUITIES.—

7           “(1) NO EMPLOYER REPORTS.—Except as pro-  
8       vided in this subsection, no report shall be required  
9       under this section by an employer maintaining a  
10      SAFE annuity under section 408B(b) of the Inter-  
11      nal Revenue Code of 1986.

12          “(2) SUMMARY DESCRIPTION.—The issuer of  
13      any SAFE annuity shall provide to the employer  
14      maintaining the annuity for each year a description  
15      containing the following information:

16           “(A) The name and address of the em-  
17      ployer and the issuer.

18           “(B) The requirements for eligibility for  
19      participation.

20           “(C) The benefits provided with respect to  
21      the annuity.

22           “(D) The procedures for, and effects of,  
23      withdrawals (including rollovers) from the an-  
24      nuity.



1           “(3) EMPLOYEE NOTIFICATION.—The employer  
 2           shall provide each employee eligible to participate in  
 3           the SAFE annuity with the description described in  
 4           paragraph (2) at the same time as the notification  
 5           required under section 408B(b)(5)(B) of the Inter-  
 6           nal Revenue Code of 1986.”

7           (h) EFFECTIVE DATE.—The amendments made by  
 8           this section shall apply to years beginning after December  
 9           31, 1998.

10   **SEC. 303. INCREASED LIMIT ON CONTRIBUTION AMOUNT**  
 11                           **FOR SIMPLE RETIREMENT ACCOUNTS.**

12           (a) INCREASE IN CONTRIBUTION LIMIT.—Subpara-  
 13           graph (A)(ii) of section 408(p)(2) (relating to qualified  
 14           salary reduction arrangement) is amended by striking  
 15           “\$6,000” and inserting “\$10,000”.

16           (b) CONFORMING AMENDMENTS.—

17                   (1) Section 401(k)(11)(B)(i)(I) is amended by  
 18                   striking “\$6,000” and inserting “\$10,000”.

19                   (2) Section 401(k)(11)(E) of such Code is  
 20                   amended by striking “\$6,000” and inserting  
 21                   “\$10,000”.

22                   (3) Section 408(p)(2)(E) of such Code is  
 23                   amended—

24                           (A) by striking “\$6,000” and inserting  
 25                           “\$10,000”, and

1 (B) by striking “1996” and inserting  
2 “1999”.

3 (c) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to years beginning after December  
5 31, 1999.

6 **TITLE IV—CATCHUP**  
7 **CONTRIBUTIONS**

8 **SEC. 401. CATCHUP CONTRIBUTIONS FOR INDIVIDUALS**  
9 **AGE 50 OR OVER.**

10 (a) ELECTIVE DEFERRALS.—Section 414 (relating to  
11 definitions and special rules) is amended by adding at the  
12 end the following new subsection:

13 “(v) CATCHUP CONTRIBUTIONS FOR INDIVIDUALS  
14 AGE 50 OR OVER.—

15 “(1) IN GENERAL.—An applicable employer  
16 plan shall not be treated as failing to meet any re-  
17 quirement of this title solely because the plan per-  
18 mits an eligible participant to make additional elec-  
19 tive deferrals in any plan year.

20 “(2) LIMITATION ON AMOUNT OF ADDITIONAL  
21 DEFERRALS.—A plan shall not permit additional  
22 elective deferrals under paragraph (1) for any year  
23 in an amount greater than the lesser of—

24 “(A) 50 percent of the maximum amount  
25 of elective deferrals excludable from gross in-

come of the participant for such year (determined without regard to this subsection, subsection (u), or any limitation described in paragraph (3)(A)), or

“(B) the excess (if any) of—

“(i) the participant’s compensation for the year, over

“(ii) any other elective deferrals of the participant for such year which are made without regard to this subsection.

“(3) TREATMENT OF CONTRIBUTIONS.—In the case of any contribution to a plan under paragraph (1) (and any employer matching contribution with respect thereto)—

“(A) such contribution shall not, with respect to the year in which the contribution is made—

“(i) be subject to any otherwise applicable limitation contained in section 402(g), 402(h), 403(b), 404(a), 404(h), 408, 415, or 457, or

“(ii) be taken into account in applying such limitations to other contributions or benefits under such plan or any other such plan, and

1           “(B) except as provided in paragraph (4),  
2           such plan shall not be treated as failing to meet  
3           the requirements of section 401(a)(4),  
4           401(a)(26), 401(k)(3), 401(k)(11), 401(k)(12),  
5           401(m), 403(b)(12), 408(k), 408(p), 408B,  
6           410(b), or 416 by reason of the making of (or  
7           the right to make) such contribution.

8           “(4) MATCHING CONTRIBUTIONS.—Nothing in  
9           paragraph (1) shall require an employer to make  
10          any matching contribution with respect to any addi-  
11          tional elective deferrals under paragraph (1) for any  
12          year, but if the employer elects to make any such  
13          matching contribution, such matching contribution  
14          shall be taken into account in determining whether  
15          the requirements of section 401(a)(4) are met for  
16          the year.

17          “(5) ELIGIBLE PARTICIPANT.—For purposes of  
18          this subsection, the term ‘eligible participant’ means,  
19          with respect to any plan year, a participant in a  
20          plan—

21                 “(A) who has attained the age of 50 before  
22                 the close of the plan year, and

23                 “(B) with respect to whom no other elec-  
24                 tive deferrals may (without regard to this sub-  
25                 section) be made to the plan for the plan year

1 by reason of the application of any limitation or  
2 other restriction described in paragraph (3) or  
3 contained in the terms of the plan.

4 “(6) OTHER DEFINITIONS AND RULES.—For  
5 purposes of this subsection—

6 “(A) APPLICABLE EMPLOYER PLAN.—The  
7 term ‘applicable employer plan’ means—

8 “(i) an employees’ trust described in  
9 section 401(a) which is exempt from tax  
10 under section 501(a),

11 “(ii) a plan under which amounts are  
12 contributed by an individual’s employer for  
13 an annuity contract described in section  
14 403(b),

15 “(iii) an eligible deferred compensa-  
16 tion plan under section 457 of an eligible  
17 employer as defined in section  
18 457(e)(1)(A), and

19 “(iv) an arrangement meeting the re-  
20 quirements of section 408 (k) or (p).

21 “(B) ELECTIVE DEFERRAL.—The term  
22 ‘elective deferral’ has the meaning given such  
23 term by subsection (u)(2)(C).”

1 (b) INDIVIDUAL RETIREMENT PLANS.—Section  
 2 219(b), as amended by section 302(b)(2)(A), is amended  
 3 by adding at the end the following new paragraph:

4 “(6) CATCHUP CONTRIBUTIONS.—In the case of  
 5 an individual who has attained the age of 50 before  
 6 the close of the taxable year, the dollar amount in  
 7 effect under paragraph (1)(A) for such taxable year  
 8 shall be equal to 150 percent of such amount deter-  
 9 mined without regard to this paragraph.”

10 (c) EFFECTIVE DATE.—The amendment made by  
 11 this section shall apply to contributions in taxable years  
 12 beginning after December 31, 2000.

## 13 **TITLE V—PLAN AMENDMENTS**

### 14 **SEC. 501. PROVISIONS RELATING TO PLAN AMENDMENTS.**

15 (a) IN GENERAL.—If this section applies to any plan  
 16 or contract amendment—

17 (1) such plan or contract shall be treated as  
 18 being operated in accordance with the terms of the  
 19 plan during the period described in subsection  
 20 (b)(2)(A), and

21 (2) such plan shall not fail to meet the require-  
 22 ments of section 411(d)(6) of the Internal Revenue  
 23 Code of 1986 or section 204(g) of the Employee Re-  
 24 tirement Income Security Act of 1974 (29 U.S.C.  
 25 1054(g)) by reason of such amendment.

1 (b) AMENDMENTS TO WHICH SECTION APPLIES.—

2 (1) IN GENERAL.—This section shall apply to  
3 any amendment to any plan or annuity contract  
4 which is made—

5 (A) pursuant to any amendment made by  
6 this Act, or pursuant to any regulation issued  
7 under this Act, and

8 (B) before the last day of the first plan  
9 year beginning on or after January 1, 2002.

10 In the case of a government plan (as defined in sec-  
11 tion 414(d) of the Internal Revenue Code of 1986  
12 and section 3(32) of the Employee Retirement In-  
13 come Security Act of 1974), this paragraph shall be  
14 applied by substituting “2004” for “2002”.

15 (2) CONDITIONS.—This section shall not apply  
16 to any amendment unless—

17 (A) during the period—

18 (i) beginning on the date the legisla-  
19 tive or regulatory amendment described in  
20 paragraph (1)(A) takes effect (or in the  
21 case of a plan or contract amendment not  
22 required by such legislative or regulatory  
23 amendment, the effective date specified by  
24 the plan), and

1                   (ii) ending on the date described in  
2                   paragraph (1)(B) (or, if earlier, the date  
3                   the plan or contract amendment is adopt-  
4                   ed),  
5                   the plan or contract is operated as if such plan  
6                   or contract amendment were in effect, and  
7                   (B) such plan or contract amendment ap-  
8                   plies retroactively for such period.

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